

To: Board of Directors
From: Norma J. Camacho, Interim CEO

Chief Executive Officer Bulletin Week of June 2 – 8, 2017

Board Executive Limitation Policy EL-7:

The Board Appointed Officers shall inform and support the Board in its work. Further, a BAO shall 1) inform the Board of relevant trends, anticipated adverse media coverage, or material external and internal changes, particularly changes in the assumptions upon which any Board policy has previously been established and 2) report in a timely manner an actual or anticipated noncompliance with any policy of the Board.

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District-funded Schools Goin' Green Recognized as an Outstanding Stormwater Project

Schools Goin' Green is a student-led litter clean-up and prevention project funded by the water district's Safe, Clean Water and Flood Protection Program (Safe, Clean Water) grant. The project has been identified as an outstanding stormwater project by the California Stormwater Quality Association (CASQA).

The mission of CASQA's Awards Program is to advance the stormwater quality management profession by identifying and recognizing exemplary leadership, outstanding projects, activities, and contributions to the field of stormwater quality management.

In 2014, the water district awarded a \$32,250 grant to the City of Sunnyvale for a two-year \$47,448 stormwater project under the Safe, Clean Water Priority B Grant Program. The project is focused on pollution prevention activities that are implemented through education, outreach, and awareness. The City of Cupertino, Litterati, Sunnyvale Cool, Promega, and Juniper Networks were the lead partners for this project.

During this two-year project, the following six schools participated in the effort to clean up litter on and around their school campuses and neighborhoods: Columbia Middle, Cupertino Middle, Peterson Middle, Sunnyvale Middle, Fremont High, and Homestead High. The schools implemented student-

led campaigns to change the littering behavior of fellow students. Five of the six schools also established ongoing campus Green Teams.

Listed below are some of the major outcomes of the stormwater projects that were completed:

1. 3,421 youth participated in project events
2. 98 cleanups over the course of the project
3. Over 4,189 pounds of litter collected
4. All teams participated in the City's Students Living Green App Challenge in April 2016
5. Youth designed a logo for Schools Goin' Green

A poster presentation about this project will be included at CASQA's 13th Annual Conference on September 25-27, 2017, in Sacramento.

For further information, please contact Norma Camacho at (408) 630-2084.

Origin of Fluorosilicic Acid

In the March 3 - 9, 2017, CEO Bulletin, the water district responded to Ms. Arlene Goetze's inquiry regarding the origin of the water district's fluoride. The water district unknowingly provided erroneous information regarding the origin of the fluorosilicic acid used by the water district to fluoridate its water supply.

The water district's current vendor, Brenntag Pacific, Inc., indicated that the fluorosilicic acid (FSA) supplied to the water district is manufactured in the United States and purchased from Solvay Fluorides LLC.

The water district contacted Solvay Fluorides LLC, directly, to inquire about the origin of the (FSA) and confirmed that the (FSA) sold to Brenntag Pacific, Inc. and delivered to the water district, is manufactured in Ciudad Juarez, Mexico, using raw materials sourced in Mexico.

The water district conveyed the correct information to Ms. Goetze by email on May 3, 2017.

For further information, please contact Angela Cheung at (408) 630-2735

Solar Development on District Owner Vacant Land

In 2013, the water district evaluated the use of water district owned parcels for potential photovoltaic solar and determined that developing vacant land for solar use restricts the Renewable Energy Credit (REC) available to the water district and is not economically feasible.

In addition to the evaluation and recent updates, the water district has determined that developing solar on vacant land does not provide financial benefit to the water district. As a non-taxable entity, the water district cannot benefit from the federal solar tax credit for buying and owning a solar installation.

As an alternative, the water district recently partnered with a private developer to build solar installations at the Santa Teresa and Penitencia water treatment plants through a power purchase agreement. The developer owns and operates the installation and the water district purchases the energy and REC generated by the system for use at the water treatment plants. Similar installations on vacant land would cost the water district an estimated \$95 - \$110 per megawatt-hour (MWh) to purchase from a solar developer. However, the Electric-Renewable Market Adjusting Tariff available through PG&E would only pay the water district approximately \$89 per MWh for energy sold back to the utility grid, resulting in a negative economic value of the system. Since the water district does not have electrical load at the vacant parcels, energy generated on the parcels would need to be sold

directly to PG&E with the Renewable Energy CreditRECs.

In contrast to local solar projects, the water district is a member of the Power and Water Resources Pooling Authority (PWRPA), a joint powers authority to collectively manage electrical loads and generation assets. PWRPA is subject to the State of California "Renewable Portfolio Standard" (RPS) mandate, whereby electric utilities must serve a RPS percentage of retail sales with renewable resources within a given Compliance Period. Through PWRPA, the water district secured a 750 kilowatt (KW) allocation in the 20 megawatt (MW) utility-scale Whitney Point Solar Project in Fresno County and a 400 KW share of the 75 MW utility-scale Astoria 2 Solar project located in Kern County.

Participation in utility-scale solar projects through PWRPA increases the renewable energy in the water district's electricity portfolio and provides renewable energy to the water district with the same environmental benefits as the solar projects located at the water district's water treatment plants, and at a lower cost. Solicitations by solar developers of new utility-scale solar projects available through PWRPA indicate energy rates of approximately \$60-\$70 per MWh delivered to the water district compared to the \$108.25 per MWh generated by the solar installations at the Santa Teresa and Penitencia water treatment plants.

The water district continues to evaluate opportunities for local solar projects as well as upcoming utility-scale renewable projects through PWRPA to reduce the carbon intensity of the energy used by the water district.

For further information, please contact Kurt Arends at (408) 630-2284.

Cochrane Line Valve Repair

On Sunday, May 28, 2017, at approximately 6:30 p.m., the electric actuator, which mechanically opens and closes the Cochrane Line Valve on the Cross Valley Pipeline, broke causing the valve to shut.

The facility is located adjacent to Highway 101, just north of the City of Morgan Hill. This event interrupted flows through the Cross Valley Pipeline, which delivers local and imported raw water from the San Luis and Anderson Reservoirs to the water treatment plants and groundwater recharge facilities. The South Bay Aqueduct (SBA) is not able to convey water due to ongoing capital projects, which are expected to be completed in July 2017. The Cross Valley Pipeline is currently the only major conveyance system to supply the water treatment plants and recharge facilities.

This event temporarily interrupted all raw water deliveries to the water treatment plants until a bypass line was opened restoring minimal flows. The water district notified their treated water retailers of the situation so they could prepare to switch to other supply sources if deliveries could not be restored.

At 11:00 p.m. on May 28, 2017, the water district was able to re-secure the actuator and manually open the valve restoring flows. The water treatment plants were able to return to normal deliveries by 12:00 a.m. and the water retailers were notified through ongoing communications.

The water district has continued to monitor the situation and the operation of the facility.

On Friday, June 2, 2017, the water district found that flows through the facility were higher than originally designed and reduced the flows through the Cross Valley Pipeline, in order to decrease the risk of another breakdown at the facility and an extended outage in raw water deliveries. To reduce flows, all groundwater recharge deliveries from the system have been suspended, making deliveries only to the water treatment plants. To achieve further reductions in flow, the water district is working with the treated water retailers to curtail deliveries by up to ten percent of their contract amounts.

The water district plans to maintain these reduced flows until the SBA is back in service and able to provide an additional supply of imported water to the water treatment plants. During this time the Cross Valley Pipeline will be temporarily shut down and the valve will be replaced in addition to an inspection of the pipeline. This work is currently anticipated to be scheduled in late July or early August, 2017, however, unexpected conditions may alter the schedule.

Once the failed valve is replaced, some reliability will be restored however, further analysis of the facility design and condition assessment is needed to determine the maximum flows that can be delivered through the facility.

For further information, please contact Kurt Arends at (408) 630-2284.

Varela

Provide Chair Varela with information on the pipeline from Uvas Dam to Llagas Creek created to percolate from Uvas Creek to Llagas Creek I-17-0008

The Uvas-Llagas Transfer Pipeline is a 30 - 42-inch diameter, 3.3-mile long pipeline constructed in 1955 that conveys water from Uvas Reservoir to Llagas Creek. The pipeline has a capacity of approximately 50 cubic feet per second (cfs) and begins at the outlet of Uvas Reservoir and terminates at an outfall in Llagas Creek just downstream of Watsonville Road.

Under existing water rights licenses, both Uvas and Chesbro Reservoirs capture runoff from the surrounding watersheds during the rainy season and then release it for groundwater recharge throughout the year. The percolation capacity of the Llagas Creek system, below Chesbro Reservoir, is greater than that of the Uvas Creek system. The Uvas-Llagas Transfer Pipeline allows the water district to utilize the additional capacity of the Llagas Creek system by transferring excess water from Uvas Reservoir.

The water district began using the pipeline under the 1956 Memorandum of Agreement (MOA) between the water district and the California Department of Fish and Game. Since 2012, the Uvas-Llagas Transfer Pipeline has been operated under the terms of the Lake or Streambed Alteration Agreements (LSAAs) that superseded the MOA with the California Department of Fish and Wildlife (Notification Nos. 1600-2011-0395-R3 and 1600-2011-0394-R3,) for the operation of Uvas and Chesbro Reservoirs. The LSAs describe the approved annual operating strategy for the reservoirs and pipeline including storage-based operating rules that improve steelhead habitat in Uvas Creek and balance water supply operating priorities. Per the operating rules, no transfers to Llagas Creek are made at the expense of any desired habitat flows in Uvas Creek. To improve water quality, transfers will generally be delayed until the fall of 2017, to conserve Uvas Reservoir volume and provide lower temperature releases and turbidities during the summer rearing period.

The Uvas-Llagas Transfer Pipeline was last operated during the spring/summer of 2016, at an average rate of about 8 cfs. The water district is not currently using the Uvas-Llagas Transfer Pipeline. Future operation of the Uvas-Llagas Transfer Pipeline is planned for the late summer of 2017, and will be performed under the terms and conditions of the LSAs.

For further information, please contact Kurt Arends at (408) 630-2284.
